

Message Text

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ACTION ARA-10

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 3305

INFO AMEMBASSY CARACAS

AMEMBASSY BUCHAREST

AMCONSUL MEDELLIN

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C O N F I D E N T I A L BOGOTA 1367

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TAGS: PINT PFOR ETRD CO VE RO

SUBJ: THE WEEK IN COLOMBIA

1. BEGIN SUMMARY. COLOMBIAN POLITICAL FACTIONS EXPRESSED THEMSELVES IN VARIOUS WAYS, RANGING FROM SPEECHMAKING TO MID-NIGHT BOMBINGS (AT THE SPANISH EMBASSY AND A CONSERVATIVE NEWS-PAPER). CIVIC DISORDERS CROPPED UP IN VARIOUS CITIES, CAUSED BY SUCH DIVERSE FACTORS AS POOR WATER SUPPLIES AND STUDENT GRIEVANCES. RURAL GUERRILLAS SKIRMISHED WITH ARMY UNITS FOLLOWING AN ASSAULT ON A VILLAGE IN CORDOBA DEPARTMENT. THE FUGITIVE EX-COMPTROLLER REMAINED OUT OF SIGHT. INFLATION, FUELED BOTH BY SEASONAL AND CHRONIC FACTORS INCREASED IN JANUARY. A SIXTH MEMBER TRADE MISSION PREPARED TO VISIT CUBA AND THE GOC SIGNED ECONOMIC AGREEMENTS WITH VENEZUELA AND ROMANIA. END SUMMARY.

2. POLITICAL LIFE - COLOMBIAN STYLE. ALTHOUGH NONE OF THE POLITICAL EVENTS OF THE PAST WEEK COULD BE DESCRIBED AS PIVOTAL, THE

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AVARIOUS ACTIVITIES PROVIDED EXCELLENT EXAMPLES OF HOW THE POLI-

TICAL GAME IS PLAYED IN COLOMBIA AND, AS A COMPOSITE, REFLECTED THE MOOD OF POLITICAL ACTIVISTS AND THE PUBLIC AT LARGE. THE 1978 PRESIDENTIAL CAMPAIGN, WHICH BEGAN SHORTLY BEFORE THE 1974 ELECTIONS, WAS IN FULL SWING, WITH TWO FORMER LIBERAL PRESIDENTS--ECHANDIA AND CARLOS LLERAS--STUMPING THE PROVINCES TO BOOST THE LLERAS CANDIDACY. IN BOGOTA (SEE BELOW) THE NIGHT AIR WAS AGAIN RENT WITH THE NOW TOO FAMILIAR SOUND OF POLITICALLY MOTIVATED BOMBING WHILE IN THE CARIBBEAN CITY OF BARRANGUILLA STREETS WERE BLOCKED BY CITIZENS PROTESTING THE INADEQUACY OF THE WATER SUPPLY. FAULTY WATER SUPPLY, POSSIBLY AN INEVITABLE OCCURRENCE IN A NATION THAT HAS TRIPLED ITS POPULATION IN FORTY YEARS, ALSO TROUBLED MAICAO ON THE VENEZUELAN BORDER AND THE PACIFIC OCEAN PORT OF BUENAVENTURA. ANOTHER CONSTANT OF COLOMBIAN PUBLIC LIFE, ALLEGATIONS OF POLITICAL VENALITY, ALSO HUNG IN THE AIR AS THE WHEREABOUTS OF JULIO ENRIQUE ESCALLON, FORMER COMPTROLLER GENERAL OF THE REPUBLIC, REMAINED UNKNOWN. THE EX-OFFICIAL, LAST SPOTTED IN A TEXAS HOSPITAL, IS CHARGED WITH FRAUD AND EMBEZZLEMENT.

3. INFLATION PERSISTS. THE LOPEZ ADMINISTRATION WAS UNABLE TO INOCULATE THE ECONOMY AGAINST THE PERENNIAL DECEMBER DISEASE OF EXCESSIVE MONETARY GROWTH. IN DECEMBER, THE MONEY SUPPLY GREW BY 5.8 PERCENT, RESULTING IN A 29.2 PERCENT GROWTH FOR THE YEAR. THE ANNUAL RATE IS INFLATIONARY, AND THE DECEMBER RATE IS HYPER-INFLATIONARY; HOWEVER, IN DECEMBER THE COLOMBIAN MONEY SUPPLY ALWAYS INCREASES SHARPLY. THE PUBLIC DEMANDS LIQUIDITY IN DECEMBER, WHICH THE CENTRAL BANK ACCOMMODATES THROUGH DISCOUNT FACILITIES. THERE IS ALWAYS A CASH DEFICIT REQUIRING FINANCING IN DECEMBER (1.3 BILLION COMPARED TO 2.8 BILLION AVERAGE OVER PREVIOUS THREE YEARS). THE LARGEST FACTOR THIS YEAR, HOWEVER, WAS THE GROWTH OF INTERNATIONAL RESERVES WHICH IN JANUARY REACHED 602 MILLION, THE HIGHEST LEVEL EVER. IN ORDER TO STIMULATE IMPORTS AND REDUCE RESERVES, THE GOVERNMENT REMOVED THE PRIOR IMPORT DEPOSITS. IN THE SHORT TERM THE MOVE WILL ADD LIQUIDITY TO THE PRIVATE SECTOR BUT WILL REDUCE THE COST OF IMPORTING. THE MONETARY BOARD ALSO ELIMINATED THE 100 PERCENT MARGINAL RESERVE REQUIREMENT BUT INCREASED THE RESERVE REQUIREMENT BY 3.5 POINTS AND ANNOUNCED THAT IT WOULD INCREASE THE RESERVE REQUIREMENT BY ANOTHER FOUR POINTS OVER EACH OF THE NEXT SEVERAL MONTHS. PRICES, ON THE OTHER HAND, INCREASED BY 2.3 PERCENT IN JANUARY.

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AGAIN, THIS IS TRADITIONAL IN JANUARY. IN 1975, JANUARY INCREASES WERE 3.1 PERCENT; IN 1974 THEY WERE 2.8 PERCENT. THE GOVERNMENT SIMPLY HAS BEEN UNABLE TO GET ON TOP OF THE RESERVE GROWTH. BECAUSE OF THE LACK OF COOPERATION WITH THE INDEPENDENT AND POWERFUL COFFEE FEDERATION, THE ADMINISTRATION WAS UNABLE TO ESTABLISH AN EXTERNAL FUND TO FREEZE BONUS COFFEE DOLLARS. ON THE OTHER HAND, IT HAS BEEN TIMID IN DESIGNING ALTERNATIVE INSTRUMENTS THAT MIGHT ABSORB THE LIQUIDITY GROWTH. WHETHER THE SHARP IN-

CREASE IN LIQUIDITY WILL ULTIMATELY BE TRANSLATED INTO PRICE INCREASES WILL DEPEND ON THE BEHAVIOR OF REAL OUTPUT. THE GOC ECONOMIC TEAM IS MEETING IN BUCARAMANGA TO DISCUSS THE SITUATION. WE MAY, AS A RESULT, SEE SOME NEW DOLLAR-BACKED CREDIT INSTRUMENT AS WELL AS NEW DEVICES TO CONTROL GOVERNMENT EXPENDITURES.

4. SECURITY PROBLEMS CONTINUE. LATE ON JANUARY 30 A BOMB EXPLODED IN THE SPANISH EMBASSY DESTROYING THE MAIN ENTRANCE, RESULTING IN THE DEATH, A FEW DAYS LATER, OF A POLICE GUARD. ON FEBRUARY 4 THE BOGOTA CONSERVATIVE DAILY "EL SIGLO" WAS BOMBED. THE EXPLOSION CAUSED CONSIDERABLE DAMAGE TO THE ENTRANCE LOBBY. THE CULPRITS HAVE NOT BEEN IDENTIFIED; HOWEVER, THERE IS SPECULATION THAT THEY WERE PART OF A TIT-FOR-TAT MINOR TERRORIST CAMPAIGN BEING CARRIED OUT IN BOGOTA BY BOTH LEFT AND RIGHT EXTREMISTS. MEANWHILE, DISTURBANCES CONTINUED IN MEDELLIN (BOGOTA 1049), WHERE STUDENTS AND A FEW SYMPATHIZERS HAVE CARRIED ON LOW LEVEL STREET VIOLENCE NEAR THE PRINCIPAL UNIVERSITIES. THE STUDENTS APPEAR TO BE SEEKING A MAJOR CONFRONTATION WITH POLICE BUT THE GOVERNOR HAS AVOIDED THIS BY PROHIBITING THE CONGREGATION OF LARGE GROUPS. POLICE HAVE POSTED HEAVY PATROLS AND SEEM TO HAVE THE SITUATION IN HAND. TWO-WEEK-OLD DISTURBANCES HAVE NOT, AS YET, DISRUPTED NORMAL LIFE IN MOST OF THE CITY. HOWEVER - LABOR PROBLEMS AT THE UNIVERSITY OF ANTIOQUIA MAY PROVIDE THE FUEL FOR A LENGTHY PERIOD OF LOCALIZED AGITATION. NORTH OF MEDELLIN, IN THE DEPARTMENT OF CORDOBA, 40 GUERRILLAS OF THE NATIONAL LIBERATION ARMY (ELN) ASSAULTED A VILLAGE ON FEBRUARY 4 AND SEIZED TWO MANAGERS FROM A NEARBY HACIENDA. SOME FIGHTING WITH ARMY UNITS WAS REPORTED BUT RESULTS ARE SO FAR UNKNOWN.

5. TRADE MISSION TO CUBA. THE MUCH DELAYED COLOMBIAN TRADE MISSION TO CUBA DEPARTS BOGOTA ON FEBRUARY 7 FOR A SIX-DAY VISIT TO HAVANA. APPROXIMATELY 60 COLOMBIAN BUSINESSMEN AND GOVERNMENT OFFICIALS WILL PARTICIPATE. INCOMEX DIRECTOR ALBERTO GALEANO IN-

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FORMED THE EMBASSY THAT WHILE CUBA IS VIEWED AS A NATURAL MARKET FOR COLOMBIAN MANUFACTURED AND AGRICULTURAL PRODUCTS, LOCATING CUBAN PRODUCTS FOR EXPORT TO COLOMBIA WOULD BE DIFFICULT. IN ADDITION TO TRADE MATTERS, REPRESENTATIVES OF THE TWO GOVERNMENTS MAY DISCUSS THE ESTABLISHMENT OF SCHEDULED AIR SERVICES.

6. COLOMBIAN SIGNS ECONOMIC AGREEMENTS WITH ROMANIA, VENEZUELA. COLOMBIA THIS WEEK SIGNED A SERIES OF ECONOMIC AGREEMENTS WITH VENEZUELA COVERING, ACCORDING TO PRESS REPORTS, DOUBLE TAXATION, PETROLEUM IMPORTS AND CUSTOMS COORDINATION. THE DOUBLE TAXATION AGREEMENT COULD STIMULATE ADDITIONAL VENEZUELAN INVESTMENT IN COLOMBIA IN JOINT INDUSTRIAL PROJECTS. THE AGREEMENT WITH ROMANIA PROVIDES FOR THE ESTABLISHMENT OF A MIXED CORPORATION FOR PURPOSES OF PETROLEUM EXPLORATION, USING ROMANIAN TECHNOLOGY, AND A DETAILED EVALUATION OF COLOMBIAN COAL RESERVES.

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